

June 12, 2000

The Honorable Wayne Peterson,
Presiding Judge of the Superior Court
Presiding Department
220 W. Broadway
San Diego, CA 92101

Dear Judge Peterson:

Pursuant to California Penal Code §933(c) and on behalf of a majority of the Board of Directors, Officers and Staff of the Tia Juana Valley County Water District (District), we respectfully submit the following response to the 1999-2000 San Diego County Grand Jury Report entitled Tia Juana Valley County Water District: Insolvent? Ineffective? For purposes of clarity, we wish to submit our formal response in subsections which will be presented to you as follows:

SUBSECTION #1: GENERAL COMMENTS.

The District's Board of Directors, Officers and Staff have fully reviewed the above referenced Grand Jury report. Based upon this review and several discussions held at regularly scheduled District meetings, a majority of the District Board of Directors wishes to provide you with the following general comments:

1. As you may know, the District has fully cooperated with the San Diego County Auditor & Controller and the 1999-2000 Grand Jury during an approximate six-month period when the District was subjected to intense scrutiny regarding our operations, management and financial responsibilities. The District, by virtue of individual interviews with the Grand Jury, memos and responses between the District and the Grand Jury and the San Diego County Auditor and several phone conversations between Grand Jury investigators and District staff (i.e. General Manager, District Counsel); has repeatedly attempted to present a very different picture regarding the effectiveness, solvency and importance of our operations to the future health, safety and well being of the people and communities in and around the Tijuana River Valley.

As District Board President, I feel as if most of my answers provided directly to a committee of the Grand Jury were largely ignored in the report. We believe that it is more than a coincidence that my responses, which were in support of the many positive and effective District programs we are developing on behalf of District constituents, were not reflected in the Grand Jury's final report. We also find it curious that the Grand Jury interviewed several local people (i.e. past and present District Directors) who we consider to be highly critical of the District and yet did not interview the present District Board Vice-President and one other District Director or previous Board Officers and Directors who are strong advocates for increased present and future District operations.

In general, we were disheartened by the lack of clarity and detail in the Grand Jury report regarding the many important and positive programs of this District; particularly those implemented during the past eight years on behalf of the health, safety and well being of the majority of District constituents. After reading the Grand Jury's final report, it was the conclusion of the majority of the District Board of Directors that the report, as written, was extremely one sided and lacked balance in the presentation of the information found in the report. The District found many discrepancies in the information which was presented as factual within the body of the report. However, for purposes of brevity and in response to the requirements and instructions provided by the Grand Jury, we will focus our factual responses on the report's findings and recommendations.

2. During the course of the intensive review of District operations, we specifically questioned how the information gathered by the San Diego County Auditor and the eventual use of that information by the Grand Jury would be presented to the District. We repeatedly asked for a written copy of the County's operational management audit report. We also inquired as to whether the Grand Jury would release the analysis, findings and conclusions of the audit report to the District. Each time we inquired, we were told by the County audit staff that the response to this request resided within the purview of the Grand Jury. Ultimately, we were told that the Grand Jury had discussed the District's request and refused to provide any of the written information gathered by the Auditor in the form of a report, official or unofficial written notes and memoranda and/or verbal reports given by the audit staff to the Grand Jury.

Since it is apparent to us that the ten-page written Grand Jury report attempted to summarize and condense large amounts of information provided by the County Auditor to the Grand Jury, we respectfully suggest that this procedure requires further scrutiny by the Presiding Judge of the Superior Court and future Grand Juries. It seems to us that the procedure of condensing huge amounts of operational, management and financial information into a summary report which is released to the public can lead to misunderstandings of fact, biased interpretations of important information and misunderstandings by the public regarding the essence of what is being presented in a Grand Jury summary report. Regarding this report released by the Grand Jury and its findings and recommendations, the majority of the District's Directors strongly believe that we have been victimized by a lack of precision in the manner by which the County Auditor and the Grand Jury discussed and exchanged information critical to the very same findings and conclusions found within the Grand Jury report.

3. During the course of the operational management audit by the County of San Diego, the General Manager of the District questioned specific audit procedures regarding the review, storage and security requirements for the large amounts of information obtained through the audit. This information which included personal payroll information (i.e. individual social security numbers), if not stored and secured properly could raise concerns about privacy issues and possible identity theft. The District never received adequate assurances that the electronic and physical storage of the audit information in County offices would be properly secured so that it could never be used for criminal purposes. Therefore, we expect that the large amounts of private and personal data obtained through the audit at the behest of the Grand Jury will be securely stored within County and Grand Jury offices until a future date when the information is destroyed.
4. With all due respect, the District wishes to inform the Presiding Judge of the Superior Court and the 1999-2000 Grand Jury that the District carries out its operations, its policies and our financial and management procedures with great integrity and sense of public purpose. Under present state and local government law and regulations, the ultimate responsibility for directly representing the water-related needs of the communities in and around the Tijuana River Valley resides with the District's elected Board of Directors. In fact, the sole purpose of the District's Board of Directors is to represent these water-related public health and safety concerns and issues in the best and most efficient manner possible.

During the last eight years, the vast majority of District Directors have taken this responsibility very seriously and without prejudice have attempted, with a good deal of success, to correct 50 years of federal, state and local government neglect regarding the needs of the many and varied public and private interests represented by the District's constituents. Since some in the public have interpreted the meaning of this Grand Jury report to be a clarion call for the dissolution of the District, we respectfully submit that such an action would represent a misguided public policy decision and clearly would not be in the best interest of the people we serve.

5. After many discussions by the Board of Directors, we wish to assure the Presiding Judge of the Superior Court and the 1999-2000 Grand Jury that, wherever appropriate, the District will carry out adjustments to our procedures, policies and financial arrangements in response to the Grand Jury's findings and recommendations. However, we wish for you to know that we found very little in the report which the District views as positive or appropriate recommendations for improving upon our existing financial, administrative and public policy procedures.

The District is financially solvent. We have several initiatives in place which we anticipate will improve our present and future cash flow and overall financial condition. None of the financial adjustments we are presently contemplating will require any additional local assessments or taxes from our constituents.

SUBSECTION #2: RESPONSES TO THE FINDINGS IN THE GRAND JURY REPORT. *

FINDING NO. 1: *The primary asset of the Tia Juana Valley County Water District, the GEP well, has little or no value.*

DISTRICT RESPONSE: The District partially disagrees with this finding. The District's limited production well (GEP #1) retains a minimum value of \$200,000; the approximate cost of the construction of the well. The District continues to anticipate that the value of this asset will grow over time as the excellent quality water found in the deep aquifer beneath the Valley becomes available for various water projects in and around the Tijuana River Valley. In addition, this well, which is part of a system of four separate wells drilled by the District during the past four years, continues to have value as part of a much larger groundwater extraction project presently being planned and developed. The cost of the District's Total Groundwater Development Program (TGDP) is presently estimated to be at approximately \$15 million. The TGDP when completed will yield approximately 2500 acre-feet per year of usable water for District constituents and others. GEP #1 continues to be an integral part of the District's total program to develop and wholesale potable and non-potable water from the District's groundwater aquifers. We envision that the majority of the funds necessary to fully develop the TGDP will come from federal and state grants.

FINDING #2: *The District's liabilities exceed its assets.*

DISTRICT RESPONSE: The District wholly disagrees with this finding. Each year since 1992, when the District became operational, the District's assets have always exceeded its liabilities. The policy of the Board of Directors is for the District to end each fiscal year with a prudent cash reserve of approximately \$100,000. At the end of each fiscal year since 1992, the District has been able to meet this goal. We anticipate that the District will continue to be able to meet this goal. The District's liabilities are programmed to remain within the District's ability to meet and exceed its liabilities from its assets which continue to be made up of ongoing local, state and federal grant funds and support programs.

FINDING #3: *Unless changes are made, the District's expenses will exceed its revenues in less than one year.*

DISTRICT RESPONSE: The District wholly disagrees with this finding. Each fiscal year, the District adopts a budget which includes sufficient local, state and/or federal funds in the form of revenues which allow the District to meet all of its expenses and have a prudent reserve in place. During the past eight years, the District has been able to meet and exceed its expenses with its revenues. The District continues to expect that, at the end of each foreseeable future fiscal year, the District's revenues will exceed its expenses.

* *The District's responses found within subsections 2 and 3 of this District document represent the official District opinion of a majority of the Board of Directors.*

FINDING #4: *The District's solvency depends almost entirely on its ability to assess landowners within its boundaries.*

DISTRICT RESPONSE: The District partially agrees with this finding. The District's Fixed Charge Special Assessment (FCSA), which is assessed on local landowners within District boundaries, represents a portion of the District's total revenues during any given fiscal year. The percentage of revenue raised by the FCSA varies from year to year depending upon the amount of state and federal revenue being received by the District. For example, during District fiscal year 1996-1997 local revenues generated by the FCSA amounted to approximately 20% of the District's budget. In the District fiscal year we are now completing (FY 1999-2000), the FCSA represents approximately 42% of the approved District budget. Due to an anticipated influx of state and federal funds during the District's next fiscal year (FY 2000-2001), we anticipate that the FCSA's share of the total District budget will be similar to the 20% figure which occurred during FY 1996-1997.

FINDING #5: *The District has no other significant income except State or Federal grants, which must be used only for a purpose of the grant.*

DISTRICT RESPONSE: At the present time, the District agrees with this finding. However, we anticipate that significant income will be generated by the District's TGDP when it becomes operational (approximately 2005). In the interim, the District continues to anticipate receiving significant amounts of grant funding from the state and federal government which will off-set the District's ability to construct the public works necessary to complete the TGDP.

FINDING #6: *District Directors have not always kept complete records regarding their attendance at outside meetings.*

DISTRICT RESPONSE: The District wholly disagrees with this finding; if the finding refers to our financial records as is referenced within the text of the report. Reimbursable expenses at outside meetings are governed by a very specific District policy which is periodically updated by the Board of Directors.

The District maintains complete financial records of attendance for each Director at outside meetings if the Director's presence at the outside meeting is considered a reimbursable expense for the District. The financial records are kept on a monthly basis, are shared with the Directors, Officers and Staff of the District and are compiled into annual financial accounts by the District Treasurer as part of the District's budget and financial accounting processes. As per State and County regulations, the District's financial accounts are biannually scrutinized by an independent CPA accounting firm. The results of the independent auditor's report, including recommendations for improving financial and accounting procedures, are discussed with the Officers, Staff and Directors of the District and presented to the Board of Directors for final approval prior to release as a public document. During the past eight years, the District's financial accounts have been judged to be "in conformity with generally accepted accounting principals" in four separate biannual independent financial audits. In addition, the District's annual financial accounts are submitted to both the San Diego County Auditor and Controller and the Controller of the State of California. During this time, the manner and procedures by which the District accounts for attendance at outside meetings has never been questioned during any independent or outside audit.

If this finding refers to other than financial records (i.e. written reports regarding Director attendance at outside meetings) as has been suggested by a District Director during our discussions of the District's response to the Grand Jury report; then the District partially agrees with this finding. It has been the policy of the majority of the Board of Directors, since 1996, to have District Directors provide verbal reports regarding their activities at District authorized outside meetings. The verbal reports are then referred to in the written minutes of each Board of Directors meeting. The length and specificity of the written comments in the minutes largely depend upon the significance of the matters which were discussed at the outside meetings as they pertain to various District goals, objectives and programs.

FINDING #7: *The District has been for decades, and continues to be, unable to protect groundwater from contamination.*

DISTRICT RESPONSE: The District partially agrees with this finding. Prior to 1990, previous Boards of Directors of the District have done a dismal job in protecting the groundwater aquifers beneath the Tijuana River Valley from contamination from Mexican renegade sewage and surface water runoff from the international watersheds (drainage basins) located at our border with Mexico. Since 1990, the District Board of Directors has continually and enthusiastically worked with the necessary local, state, federal and international government agencies in the United States and Mexico to persuade these agencies to construct the necessary public works projects which can and will eliminate contamination in the District's aquifers. As you can imagine, it takes a great deal of time to reverse more than 50 years of neglect. In fact, the District is extremely proud of its successes in beginning to reverse this dismal international border situation during the past 10 years. In the last decade of the 20th Century, the District has worked strongly and closely with a multitude of government agencies to help promote and construct the public works projects which are necessary to eliminate this significant public health and safety problem. In fact, over \$500 million of federal, state and local funds have been expended by the United States government, the State of California and the City of San Diego during the past 10 years to help eliminate this international border problem. Although statistics maintained by many of the agencies mentioned including the District show a significant trend towards eliminating the problem; unfortunately there is still a great deal which must be accomplished to fully contain the renegade raw sewage and surface drainage problems at the international border. The District's Board of Directors continue to support, as a very high priority in our Mission Statement and in the District's program goals and objectives, the need to work hand in hand with the aforementioned agencies to fully enable and protect the District's groundwater basins from international watershed contamination.

FINDING #8: *The District provides no meaningful direct flood control or sewage containment benefits to property owners within its boundaries.*

DISTRICT RESPONSE: The District wholly disagrees with this finding. In fact, the District finds it implausible that the Grand Jury and its agents could reach this conclusion after spending approximately six months studying District operations. During the past eight years, the District has provided a leadership role on behalf of the communities in and around the Tijuana River Valley in direct flood control and sewage contamination programs which have been developed and implemented. These public works construction programs have resulted in great benefits to the property owners within its boundaries.

In fact, the District believes that a large part of this Grand Jury inquiry relates back to a consistent pattern of small mindedness and jealousy on the part of a few District constituents who refuse to recognize the significant accomplishments by the District during the past decade. Unfortunately for the District and its constituents, two District Directors who represent a minority of the Board of Directors are presently using this fact as a basis for their attempts to undermine District operations. The majority of the District Board of Directors sincerely believe that a significant reason for why this Grand Jury inquiry was conducted in the first place relates back to the protests of a very vocal minority who do not represent the best interests of the communities found in and around the Tijuana River Valley.

We suggest to you that if the Grand Jury had taken the time to interview multiple local, state and federal elected officials and their staffs who are directly involved with these issues; then the Grand Jury would have been provided with the extent and meaningfulness of the District's efforts to protect and benefit property owners within its boundaries through multiple flood control, public works and sewage containment government decisions made during the last decade.

FINDING #9: *The District does not have assets necessary to provide flood control protection in the Valley.*

DISTRICT RESPONSE: The District partially disagrees with this finding. During the past two years, the District has aggressively promoted the need for a major federal study which will provide the communities in and around the Tijuana River Valley with the most up to date flood management and early warning system technologies for later implementation by either the District and/or other local, state or federal agencies. This multi-year flood management concept, which is sponsored by the District, is being implemented by the U.S. Army Corps of Engineers (ACOE) and their consultants and we believe will lead to the construction and implementation of several critical flood management and early warning projects at the international border with Mexico. The 18-month program which is entitled Tijuana River International Watershed Flood Management Study will cost approximately \$950,000; to be funded on a 50/50 basis with federal appropriations to the ACOE and state appropriations to the District to match the funds being spent by the federal government. Once the study's recommendations are approved, after significant input from a multitude of local, state, federal, international, community and private sector representatives, then the construction and implementation projects will require additional state and federal funds. Since the California Water Code enables the District to construct and maintain flood management solutions as part of our charter, the District may be identified as the construction and maintenance agency responsible for one or more of the projects recommended in the watershed study.

FINDING #10: *The City of San Diego is presently charged with providing flood control protection in the Valley.*

DISTRICT RESPONSE: The District agrees with this finding. Since the formation of the Tijuana River Valley Flood Control Task Force by the City of San Diego in response to the 1993 flood, the City of San Diego has aggressively carried out their responsibilities in providing several flood control and flood management projects in the Valley. During the past six years, the City of San Diego has heavily relied upon the opinions, technical analyses and reports prepared by the District in formulating their flood control projects. Examples of this close relationship are the construction of a new flood control bridge on Hollister Street, the construction of a major new flood control bridge on Dairy Mart Road which is named after a Former District Director (Danny Marschall), the present program to construct a 100-year flood protection berm on the north rim of the Valley and the construction of a pilot channel in middle section of the Valley. The previous flood control projects which have been completed or are in design at the present time have significantly increased the ability of District constituents and property owners to remain mobile during significant flood events and has provided the necessary infrastructure for various public health, public safety and water and sewer agencies to carry out their mandated responsibilities during significant flood events. We believe that it is not an overstatement to suggest that none of these projects would have been built during the last six years (including those projects which are presently being planned to be built in the future) without the enthusiastic support and direct involvement of this District.

FINDING #11: *The District does not have assets necessary to protect the Valley from sewage contamination.*

DISTRICT RESPONSE: The District partially disagrees with this finding. Please see the District response to Finding #9. The facts and programs of the District previously discussed relate as well to future sewage contamination protection projects in the Valley. One of those projects presently being contemplated by the District, subsequent to the completion of the international watershed study, will be to construct and maintain a solid waste catchment system in the Valley. Consistent with our response to Finding #9, the District will rely on state and federal funds to construct and maintain this project.

FINDING #12: *Sewage contamination is a problem within federal jurisdiction because of the international aspects of the problem.*

DISTRICT RESPONSE: The District agrees with this finding. However, it is extremely important to note that the carrying out this federal government responsibility relies on significant technical policy and political input from local agencies such as the District. We have a proven track record developed during the past eight years in helping to guide the design, engineering and construction of the major international wastewater management system which is presently in place in the Valley. This major international public works project has cost over \$300 million to construct. It represents the basic sewage control system at the international border which has been talked about for 50 years and implemented during the past eight years. The District is presently working closely with the appropriate federal agencies to design and construct the necessary upgrades to the basic system so that we can fully control the sewage contamination problem at the international border. We cite as one small example of this close working relationship a recent letter received from Commissioner John Bernal, USIBWC, appointing the District Board President and General Manager to an important new federal/local committee to work on specific aspects related to the upgrading of the basic sewage protection system.

FINDING #13: *The District does not directly supply water to anyone.*

DISTRICT RESPONSE: At the present time, the District agrees with this finding. However, should the District's planned potable and non-potable water supply programs come to fruition, then the District fully intends to be a wholesale supplier of water to the two existing water retailers found within District boundaries. We also plan, through special arrangements, to supply either potable or non-potable water directly to individual government property owners or private sector agricultural operations in and around the Valley. At present, the two water retailers found within District boundaries are the City of San Diego and the California American Water Company. From 1993 to 1995, the District engaged in an intensive research process which was intended to develop an overall management strategy for how to best use the groundwater aquifers beneath the Valley for wholesale and retail water supply purposes. During the course of this rigorous two-year effort, the District directly coordinated our program with both the City of San Diego through the Water Utilities Department and the California American Water Company. Both retail water suppliers supported the effort of the District to develop **The Groundwater Management Plan for the Tijuana River Basin** adopted by the District Board of Directors in February, 1995.

Found within these documents are the basic inter-governmental and private sector concepts which have guided our actions since 1995 to develop a reliable and renewable new source of water supplies for the communities in and around the Tijuana River Valley. The District fully intends to carry out the programs necessary to construct and implement the water supply concept envisioned in the Groundwater Management Plan. The District has been supported in this effort by the City of San Diego, the California American Water Company, the San Diego County Water Authority, the State Department of Water Resources and the Federal Department of the Interior, Bureau of Reclamation. At the present time, we estimate that the first phase of this new water supply system will be fully operational by the year 2005.

FINDING #14: *The City of San Diego has provided potable water to residents throughout the District for many years.*

DISTRICT RESPONSE: The District partially disagrees with this finding. As explained in our adopted Groundwater Management Plan, the two water supply retailers found within District boundaries physically split the District's entire area on an approximate 50/50 basis. However, it is important to note that the vast majority (approximately 95%) of District residents, who receive retail water supplies, are provided with this service by the California American Water Company. Since the retail service area for the City of San Diego covers the southernmost portion of the Valley and most of that land area is already in public ownership, the primary recipients of City of San Diego water at the present time are other government agencies.

FINDING #15: *The District provides no significant benefits for property owners within its boundaries except for expressing its viewpoints on certain issues.*

DISTRICT RESPONSE: The District wholly disagrees with this finding. This finding is devoid of any true understanding regarding the accomplishments of the District during the past eight years. In fact, the District provides an extremely important function in regards to advising local, state and federal elected officials about complex and very difficult solve environmental problems at the international border with Mexico. In this way, the District acts as the local catalyst for creating the most efficient and productive local, state and federal policies regarding these very complex border issues. We provide a direct pipeline to many elected officials in regards to two very important intergovernmental functions. The first is a clear and unambiguous reflection of how the communities in and around the Tijuana River Valley feel about various proposals by these government officials regarding their impacts on the public health, public safety and well being of District constituents. Second, due to our extensive studies in surface water, groundwater and drainage patterns in the international border watershed; we are able to provide various experts and policy makers in these government agencies with the highest quality and most recent technical information and observations which are necessary for them to understand in order to develop reasonable and effective government solutions to these border environmental protection, public safety and public health problems.

The District has carried out this local catalyst and communication function very effectively during the past eight years. We cite as just one small example of how effective this function can be in determining major public policy and the expenditure of public funds at the border; the recent release and the public experience with the dramatic new ocean evidence, using thermal satellite imagery, regarding the movement of chronic and renegade raw sewage from Mexico towards the United States in the Pacific Ocean. The local catalyst for the release of this information was this District. The first discussion of this very dramatic new evidence, which we believe will have a profound impact on final decisions related to how the federal government will spend additional sewage treatment funds at the international border, occurred at a District meeting on May 2, 2000. The San Diego Union-Tribune reporter who wrote the article regarding this subject received her information at the District meeting, where she was present.

Staff of the District spent a great deal of time with the reporter explaining both the technical and policy implications of this new report by the City of San Diego. Much of that information was used as the basis for writing the excellent article which appeared in the San Diego Union-Tribune on May 6, 2000. We believe that this news report, which was supported by an excellent editorial which appeared in the Union-Tribune on May 12, 2000, represents a major step in reversing a terrible public policy decision recently made by the federal government which still could result in the expenditure of \$50 million on the construction of a cosmetic open air secondary sewage treatment project which will have little or no impact on solving the sewage problem at the border.

At the same time, the District sent a very important letter regarding this subject, dated May 5, 2000, to the relevant members of the local, state and federal delegations of elected officials and agency administrators who require knowledge regarding this important ocean imaging scientific breakthrough by the consultants to the City of San Diego. We believe that the support of the District will help to secure the necessary federal funds for the City of San Diego to expand upon their ocean imaging program so that we can receive the highest quality ocean data and scientific information all year round.

Another small example of how the District has had a direct impact on this continuing public policy debate is our recommendation to the City of San Diego to provide bacterial monitoring and testing information at two separate locations in the Tijuana River Valley. This monitoring data is necessary to ensure that all the government agencies involved could avail themselves of the highest quality monitoring data over long periods of time regarding the important real time indicators which point to the true sources of surface water contamination in both the Valley and in the Pacific Ocean. This District's recommendation, which was implemented by the City of San Diego approximately one year ago, has led to much higher quality monitoring data which is now helping us to understand what will be necessary, in terms of further public works construction, to finally solve this longstanding sewage problem at the international border with Mexico. In this way, the District works directly and cooperatively with all the affected decision makers, agency administrators, technical staff and consultants to provide the best array of complex scientific data and information regarding difficult to understand international border environmental protection, public health and public safety issues. During the past eight years, the District's verbal and written expressions of many key policy and technical points on a wide variety of international border issues has resulted in untold benefits to the communities in and around the Tijuana River Valley.

FINDING #16: *The District provides no benefits commensurate with the debt it has incurred.*

DISTRICT RESPONSE: The District wholly disagrees with this finding. Please see the above District response to finding #15.

FINDING #17: *At current assessment rates the property owners will be paying off this debt for several years.*

DISTRICT RESPONSE: The District agrees with this finding. However, it is important to note that the true debt of the District relates to several very important District research and development programs. We continue to believe that these programs are yielding and will yield substantial and direct present and future flood management, water supply, environmental protection, public health and public safety benefits to District constituents.

FINDING #18: *The 1999 LAFCO Special District's Sphere of Influence Survey observes that the District is within City of San Diego, "which eventually should assume responsibility" for District functions.*

DISTRICT RESPONSE: The District partially disagrees with this finding. First, the physical area, which comprises the land found within District boundaries, is actually split within the incorporated City boundaries of both the City of San Diego and the City of Imperial Beach. Second, and more important, the LAFCO Sphere of Influence Survey, which is cited in the Grand Jury report as a 1999 recommendation of the Local Agency Formation Commission (LAFCO), actually refers to an old and outdated Sphere of Influence Survey completed by LAFCO during the mid 1980s. Many important governmental relationships between the District and the two incorporated cities have changed during the past 15 years. Wherever possible, the District has attempted to closely coordinate its programs related to water supply, flood management and international border sewage control with the Mayors, City Councils and staff of the two cities. During the past eight years, the District has had many important intergovernmental successes in this regard. Further information regarding the District's response to this finding of the Grand Jury is found in a next subsection under the District response to Grand Jury recommendation 00-4.

SUBSECTION #3: RESPONSES TO THE RECOMMENDATIONS OF THE GRAND JURY. *

RECOMMENDATION NO. 00-1: *That the District immediately revise its budget and increase revenues, reduce expenditures, or both as necessary to prevent insolvency.*

DISTRICT RESPONSE: The District is not insolvent. We are proceeding on a steady and fiscally prudent course to address all of our program and administrative expenditures. The Grand Jury report identifies over \$500,000 as the outstanding debt of the District. As of April 4, 2000, the District's actual outstanding debt is \$268,407.20. The District has been addressing the appropriate methods for either payment or forgiveness of this debt by the State of California. In either case, the District is fully able to repay this debt and carryout its program objectives with additional state and federal financial support; including the total groundwater development project, the international watershed study update and the continuing close working relationship with local, state, federal and international government agencies to continue to develop appropriate solutions to international border sewage problems during the next ten years and beyond.

** The District's responses found within subsections 2 and 3 of this District document represent the official District opinion of a majority of the Board of Directors.*

RECOMMENDATIONS NO. 00-2: *That the District establish procedures to ensure that its Directors and employees provide regular and complete documentation for each item claimed in the nature of reimbursable expense, including attendance at outside meetings.*

DISTRICT RESPONSE: The District is at a loss to explain how the Grand Jury came to this conclusion. We have shared reams of information with both the County Auditor and the Grand Jury regarding our very specific and precise policies and procedures for accounting for all District expenses including all full-time and part-time employees and Directors of the District. If it is true, as suggested in the report, that this was a conclusion reached by the County Auditor after their intense scrutiny of our books, then we clearly dispute how this recommendation or conclusion was arrived at. During the past six months, the District has requested a copy of the report developed by the County Auditor in an attempt to verify how this conclusion was reached and each time we have made the request it has been denied by the Grand Jury and the Auditor's Office.

RECOMMENDATION NO. 00-3: *That the District determine by independent appraisal whether its wells have any value in light of their non-income producing nature and the indefinite term of the underlying permit for the GEP. If a value lower than the current valuation is received the District should amend its financial statements.*

DISTRICT RESPONSE: The GEP as it is referred to in this recommendation and in the text of the report refers to the District's Groundwater Exploration Project. The Groundwater Exploration Project (GEP) consists of one limited production well and three strategically placed monitoring wells drilled at two different times. In reality, the GEP is just one phase of the District's Total Groundwater Development Program as identified in technical and policy documents prepared by the District, the San Diego County Water Authority and the City of San Diego. The three monitoring wells located in the Tijuana River Valley are placed in strategic locations in order that the District can monitor groundwater changes in quantity and quality over time. It is extremely important to have the monitoring wells in place so that they can be used over time to directly address the subject of producing water from the underground aquifers in the Valley. The value of the three wells is basically the cost of drilling the wells. This fact has been verified by the District's independent audit firm.

The District also disagrees that the limited production well in question has no value. It produces high quality drinkable water from a deep underground aquifer beneath the Tijuana River Valley. The District continues to pursue a public/private partnership project which will enable the deep aquifer groundwater to be utilized as a specialty bottled water. The well, in fact, has significant value in economic terms. The District has fully discussed the value of this limited production well with our independent audit firm, the County Auditor and the Grand Jury. Given the nature of the District's plans to produce bottled water from this well, the District believes that our independent auditor's appraisal of the well is accurate and up to date. Given the fact that the Grand Jury report has determined that the District is having difficulty paying its bills, we are at a loss to understand why they would recommend that the District expend additional dollars to complete an independent appraisal of the wells.

RECOMMENDATION NO. 00-4: *That the District seriously consider whether it should follow the 1999 LAFCO recommendation and seek a way to turnover its responsibilities to the City of San Diego.*

DISTRICT RESPONSE: The District believes that this recommendation and the discussion in the Grand Jury report is based upon a gross misrepresentation of the facts. The information provided to us by the Executive Officer of LAFCO and their consultants, who are developing a “Sphere of Influence” study update, is that there is no such 1999 LAFCO recommendation.

The 1999 report referred to in the Grand Jury discussion and in this recommendation is referencing a LAFCO “Sphere of Influence” study that was completed in the mid 1980s. We believe that it is irresponsible for the Grand Jury to release this information and to make it a major recommendation of their report. In fact, the District has recommended to LAFCO that its present “Sphere of Influence” study update include a significant upgrading of District responsibilities specifically related to groundwater production and the wholesale distribution of this new water supply beginning after the Year 2005. We sincerely hope that LAFCO will approve this District request in the Special Districts Sphere of Influence Update which LAFCO will develop as part of their FY 2000/2001 program update.

SUBSECTION #4: CONCLUSIONS

The District, as represented by the majority of the Board of Directors and its Officers and Staff, is very proud of our accomplishments during the past eight years. We would match our record of achievement against any other local government agency or special district in this County of comparable staff size and budget. We believe that the property owners, residents and business owners in and around the Tijuana River Valley are being well represented through the aggressive groundwater production, sewage control and flood management programs of the District.

Sincerely,

Gilbert Inzunza, Ph.D.
President of the Board of Directors

cc: District Board of Directors
District Counsel
James T. McCarthy, Foreman, 1999-2000 San Diego County Grand Jury
William J. Kelly, San Diego County Auditor & Controller